

Riverbed Technology

GAAP Condensed Consolidated Statements of Operations

In thousands, except per share amounts

Unaudited

	Three months ended	
	March 31,	
	2013	2012
Revenue:		
Product	\$ 148,040	\$ 117,034
Support and services	98,099	65,379
Total revenue	246,139	182,413
Cost of revenue:		
Cost of product	40,900	27,889
Cost of support and services	28,042	18,782
Total cost of revenue	68,942	46,671
Gross profit	177,197	135,742
Operating expenses:		
Sales and marketing	115,721	73,815

Research and development	48,961		34,111
General and administrative	19,114		14,634
Acquisition-related costs	4,136		556
Total operating expenses	187,932		123,116
Operating profit (loss)	(10,735)	)	12,626
Other expense, net	(6,364)	)	(1,505)
Income (loss) before provision for income taxes	(17,099)	)	11,121
Provision (benefit) for income taxes	(8,989)	)	4,172
Net income (loss)	\$ (8,110)	)	\$ 6,949
Net income (loss) per share, basic	\$ (0.05)	)	\$ 0.04
Net income (loss) per share, diluted	\$ (0.05)	)	\$ 0.04
Shares used in computing basic net income (loss) per share	163,367		157,856
Shares used in computing diluted net income (loss) per share	163,367		167,510

Riverbed Technology

Condensed Consolidated Balance Sheets

In thousands

Unaudited

	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 227,347	\$ 280,509
Short-term investments	179,303	170,605
Trade receivables, net	101,042	113,190
Inventory	26,722	24,175
Deferred tax assets	12,707	11,185
Prepaid expenses and other current assets	61,403	50,245
Total current assets	608,524	649,909
Long-term investments	96,160	78,476
Fixed assets, net	49,383	49,244
Goodwill	700,962	699,785
Intangible assets, net	481,532	506,842
Deferred tax assets, non-current	1,663	6,457
Other assets	31,011	33,626

Total assets	\$	1,969,235		\$	2,024,339
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	\$	38,068		\$	50,417
Accrued compensation and related benefits		46,376			60,501
Other accrued liabilities		35,730			41,472
Current maturities of long-term borrowings		—			5,327
Deferred revenue		203,626			182,219
Total current liabilities		323,800			339,936
Deferred revenue, non-current		91,984			88,393
Long-term borrowings, net of current maturities		522,236			566,814
Deferred tax liability, non-current		106,319			109,311
Other long-term liabilities		28,268			25,663
Total long-term liabilities		748,807			790,181
Stockholders' equity:					
Common stock		769,798			757,777
Retained earnings		129,603			137,713
Accumulated other comprehensive loss		(2,773)	)		(1,268)

Total stockholders' equity		896,628		894,222
Total liabilities and stockholders' equity	\$	1,969,235	\$	2,024,339

Riverbed Technology				
Condensed Consolidated Statements of Cash Flows				
In thousands				
Unaudited				
		Three months ended		
		March 31,		
		2013		2012
Operating activities:				
Net income (loss)	\$	(8,110	)	\$ 6,949
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		31,363		8,678
Stock-based compensation		24,526		22,975
Deferred taxes		(895	)	(3,243
Excess tax benefit from employee stock plans		(1,806	)	(10,701
Changes in operating assets and liabilities:				

Trade receivables	12,148		6,688	
Inventory	(2,546)	)	(7,330))
Prepaid expenses and other assets	(8,668)	)	(3,488))
Accounts payable	(12,186)	)	1,563	
Accruals and other liabilities	(17,265)	)	(30,219))
Acquisition-related contingent consideration	—		235	
Income taxes payable	1,713		10,742	
Deferred revenue	24,997		12,270	
Net cash provided by operating activities	43,271		15,119	
Investing activities:				
Capital expenditures	(5,354)	)	(6,649))
Purchase of available for sale securities	(132,178)	)	(171,496))
Proceeds from maturities of available for sale securities	90,695		143,037	
Proceeds from sales of available for sale securities	14,500		44,846	
Acquisitions, net of cash acquired	(1,000)	)	(6,458))
Net cash (used in) provided by investing activities	(33,337)	)	3,280	
Financing activities:				

Proceeds from issuance of common stock under employee stock plans, net of repurchases	10,815		8,910
Payments for repurchases of common stock	(25,030)		(1,408)
Payment of borrowings principal	(49,319)		—
Excess tax benefit from employee stock plans	1,806		10,701
Net cash (used in) provided by financing activities	(61,728)		18,203
Effect of exchange rate changes on cash and cash equivalents	(1,368)		2,218
Net increase (decrease) in cash and cash equivalents	(53,162)		38,820
Cash and cash equivalents at beginning of period	280,509		215,476
Cash and cash equivalents at end of period	\$ 227,347		\$ 254,296

Riverbed Technology

Supplemental Financial Information

In thousands

Unaudited

Three months ended

March 31,
2013

December 31,
2012

March 31,
2012

Revenue by Geography						
Americas	158,142		140,059		103,656	
Europe, Middle East and Africa	57,834		66,450		50,538	
Asia Pacific	30,163		30,873		28,219	
Total revenue	\$ 246,139		\$ 237,382		\$ 182,413	
As a percentage of total revenues:						
Americas	65	%	59	%	57	%
Europe, Middle East and Africa	23	%	28	%	28	%
Asia Pacific	12	%	13	%	15	%
Total revenue	100	%	100	%	100	%
Revenue by Sales Channel						
Direct	\$ 48,969		\$ 16,477		\$ 10,815	
Indirect	197,170		220,905		171,598	
Total revenue	\$ 246,139		\$ 237,382		\$ 182,413	
As a percentage of total revenues:						
Direct	20	%	7	%	6	%

Indirect	80	%	93	%	94	%
Total revenue	100	%	100	%	100	%

Riverbed Technology

GAAP to Non-GAAP Reconciliation

In thousands, except per share amounts

Unaudited

	Three months ended		
	March 31, 2013	December 31, 2012	March 31, 2012
GAAP to Non-GAAP Reconciliations:			
Reconciliation of Total revenue:			
U.S. GAAP as reported	\$ 246,139	\$ 237,382	\$ 182,413
Adjustments:			
Deferred revenue adjustment (6)	6,479	1,292	829
As adjusted	\$ 252,618	\$ 238,674	\$ 183,242
Reconciliation of Net income (loss):			
U.S. GAAP as reported	\$ (8,110)	\$ 4,784	\$ 6,949

Adjustments:				
Stock-based compensation (1)	24,526		23,124	22,975
Payroll tax on stock-based compensation (2)	393		1,523	687
Amortization on intangibles (3)	26,310		9,553	5,444
Acquisition-related costs (5)	4,564		13,484	1,949
Inventory fair value adjustment (4)	1,509		699	—
Deferred revenue adjustment (6)	6,479		1,292	829
Other expense, net (8)	—		6	2,138
Income tax adjustments (7)	(17,014)		(8,006)	(7,520)
As adjusted	\$ 38,657		\$ 46,459	\$ 33,451
Reconciliation of Net income (loss) per share, diluted:				
U.S. GAAP as reported	\$ (0.05)		\$ 0.03	\$ 0.04
Adjustments:				
Stock-based compensation (1)	0.14		0.15	0.14
Payroll tax on stock-based	-		0.01	-

compensation (2)									
Amortization on intangibles (3)		0.16			0.06			0.03	
Acquisition-related costs (5)		0.03			0.08			0.01	
Inventory fair value adjustment (4)		0.01			-			-	
Deferred revenue adjustment (6)		0.04			0.01			0.01	
Other expense, net (8)		-			-			0.01	
Income tax adjustments (7)		(0.10	)		(0.05	)		(0.04)
As adjusted	\$	0.23			\$	0.29		\$	0.20
Non-GAAP Net income per share, basic	\$	0.24			\$	0.30		\$	0.21
Non-GAAP Net income per share, diluted	\$	0.23			\$	0.29		\$	0.20
Shares used in computing basic net income per share (9)		163,367			154,818			157,856	
Shares used in computing diluted net income per share (9)		169,415			162,578			167,510	
Non-GAAP adjustments:									
Support and services revenue	\$	6,479			\$	1,292		\$	829

Cost of product		13,612			5,840			3,867	
Cost of support and services		1,861			2,059			1,643	
Sales and marketing		25,479			14,344			12,007	
Research and development		7,738			8,264			8,091	
General and administrative		4,476			4,645			4,891	
Acquisition-related costs		4,136			13,231			556	
Other expense, net (8)		—			6			2,138	
Provision for income taxes		(17,014)		(8,006)		(7,520)
Total Non-GAAP adjustments	\$	46,767		\$	41,675		\$	26,502	